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E.D.

18 December 1954

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Office of Current Intelligence

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COMPLETED

CENTRAL INTELLIGENCE AGENCY

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DIA review(s) completed.

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GENERAL

1. Comment on Molotov's statement on Soviet-Japanese relations:

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[Redacted]
Molotov's comment on 16 December on the stated intentions of the new Japanese government to normalize relations with

the Communist world gives a more restrained official position than the Soviet propaganda broadcast on 14 December. The latest statement fits the present Soviet pattern of making it easier for the Japanese to approach the USSR. It is designed to exploit the increasing demand in Japan for the resumption of relations but makes it clear that Moscow has not altered its previous position that it will wait for Japanese public opinion to force this approach.

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5. Comment on Chou En-lai's cables to Hammarskjold:

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[redacted] Chou En-lai's two cables to UN secretary general Hammarskjold on 17 December support earlier indications that Peiping will employ Hammarskjold's visit as an occasion for making a more effective presentation of the "American spies" case and for airing several allegedly related grievances. Chou's cables also suggest that the prospects are still poor for an early release of the 11 convicted airmen on acceptable terms.

Chou agreed to receive Hammarskjold to "discuss pertinent questions." Peiping's propaganda and Chou's private remarks have already indicated that "pertinent questions," in addition to alleged American intelligence operations in China, include China's seat in the UN, the disposition of Korean and Chinese prisoners of the Korean war who were released by Rhee or

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rejected repatriation, the recently signed mutual security pact between the United States and Nationalist China, Nationalist air and naval harassment of the China coastal areas, Taipei's interceptions of merchant shipping, and detention of some Chinese students in the United States.

Chou's other cable, setting forth for Hammarskjold Peiping's position on the "American spies," states that "to convict foreign spies caught in China is China's internal affair. There is no justification at all for the UN to try to interfere...." Peiping's main point in the airmen's case has been that, while all were uniformed, they were picked up in a **special** type of aircraft over Chinese territory and thus are not prisoners of the Korean war.

Peiping will certainly show Hammarskjold its exhibit of thousands of items allegedly used in "American espionage" in China. It may also produce some of the captured airmen.

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SOUTHEAST ASIA

6. Recto believed seeking supporters among Philippine armed forces:

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Philippine senator Recto's recent conciliatory moves toward the armed forces may represent an attempt to reduce President Magsaysay's influence and prestige within the army through promises of congressional favor, according to a report from the American army attaché in Manila. Recto has recently been conspicuous in attending armed forces functions, and a member of the general staff has expressed enthusiasm for the senator's changed attitude of greater support for military requests in congress.

Comment: The Recto-Magsaysay conflict is likely to break into the open again when congress reconvenes in January. Senator Recto's obstructionism has served to block virtually all major progress in Magsaysay's proposed program. As chairman of the Senate Committee on National Defense, Recto may

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try to increase his prestige at the expense of Magsaysay, whose great popularity in the army has been his principal source of strength.

WESTERN EUROPE

7. Comment on resignation of Finnish cabinet:

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The resignation on 17 December of the Agrarian-Social Democratic coalition cabinet headed by Premier Kekkonen

followed the Finnish parliament's refusal to grant the government special economic powers.

The Agrarians and Social Democrats, the two largest parties in Finland, represent diametrically opposed economic interests, and their inability to agree on domestic economic policy has been mainly responsible for the many changes of government since the end of World War II. Members of both these parties had been pessimistic over the stability of the latest cabinet ever since it was formed two months ago.

In attempts which will now be made to form a new government, one or more of the other non-Communist parties will probably be included in addition to the Agrarians and Social Democrats. This would tend to blur the more obvious points of conflict between the two major parties. The Communist-front party, which has been excluded from the government since 1948, will almost certainly not be invited to participate, and no change in Finland's foreign policy is likely. The USSR is not expected to exert effective pressure in the formation of the new government.

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